

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 EB-08 AGRE-00 COME-00 DOE-11 SOE-02  
OES-07 TRSE-00 MCT-01 /095 W  
-----009518 132032Z /53

R 131826Z JAN 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 713  
INFO AMEMBASSY BOGOTA  
USCINCLANT NORFOLK VA  
USCINCSO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 0358

E.O. 11652: N/A  
TAG: PDIP ENRG EAGR ASEC PGOV EGEN VE  
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 149

SUMMARY: SENATOR BENTSEN, BAKER AND GARN VISIT CARACAS.  
OIL PRODUCTION OFF TO A SLOW START IN 1978. ADDITIONAL  
FINANCING AVAILABLE FOR AGRICULTURAL PROGRAMS. NIEHOUS  
KIDNAPPING -REPORTS THAT NIEHOUS IS DEAD AND BURRIED IN  
OHIO ARE DENIED BY THE GOVERNMENT. THREE NEW STATE  
GOVENORS APPOINTED. JOHN PHELPS NAMEDPRESIDENT OF  
CORPORACION VENEZOLANA DE DOMENTO (CVF). END SUMMARY.

1. SENATORS BENTSEN, BAKER AND GARN VIST CARACAS.  
SENATOR AND MRS LLOYD BENTSEN VISITED CARACAS JANURY  
10-12. IN A BUSY TWO-DAY VISIT, SENATOR BENTSEN ATTENDED  
A WORKING DINNER WITH PRESIDENT PEREZ AND FONMIN CONSALVI,  
MET WITH DR MANUEL PEREZ GURERRERO, MINISTER FOR INTER-  
NATIONAL ECONOMIC AFFAIRS; VALENTIN HERNANDEZ, MINISTER  
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OF MINES AND ENERGY; AND REINALDO FIGUEREDO, DIRECTOR  
OF THE INSITUTE OF FOREIGN TRADE. IN ADDITION, SENATOR  
BENTSEN SPOKE AT A LUNCHEON OF THE BOARD OF THE VENEZUELAN  
AMERICAN CHAMBER OF COMMERCE (SEPTTEL ON VISIT FOLLOWS).

2. SENATOR HOWARD BAKER AND SENATOR E. "JAKE" GARN ARE  
SCHEDULED TO ARRIVE IN CARACAS THE AFTERNOON OF JANUARY 13.

THEY ARE SCHEDULED TO MEET WITH PRESIDENT PEREZ DURING A WORKING DINNER, JANUARY 13, AND DEPART IMMEDIATELY AFTER. THE FOCUS OF BOTH CONGRESSIONAL VISITS IS ON THE PANAMA CANAL TREATIES.

3. OIL PRODUCTION OFF TO A SLOW START IN 1978:  
CONTINUING THE DECLINE WHICH BEGAN IN THE LAST MONTHS OF 1977, VENEZUELAN OIL PRODUCTION DROPPED TO AN AVERAGE 1.81 MILLION BARRELS PER DAY FOR THE FIRST WEEK IN JANUARY. THIS IS THE LOWEST LEVEL SINCE THE EARLY WEEKS OF 1976 AND IS SUBSTANTIALLY BELOW THE ANNUAL TARGET LEVEL OF 2.2 TO 2.3 MILLION. AVERAGE DAILY PRODUCTION FOR 1977 IS UNOFFICIALLY REPORTED AS 2,237,854 BARRELS. COMMENT: RECENT RECENT DOWNWARD ADJUSTMENTS IN VENEZUELA'S EXPORT PRICES FOR FUEL OIL ARE SAID TO BE STILL NOT ENOUGH TO MAKE IT FULLY COMPETITIVE WITH FUEL OIL FROM OTHER SUPPLIERS, BUT THE LATEST PRODUCTION CUTS MAY ALSO BE THE RESULT OF EFFORTS TO WELL OFF EXISTING STOCKS RATHER THAN NEW PRODUCTION. WHILE SOME SOURCES MAINTAIN CURRENT LEVELS WILL PREVAIL THROUGH THE FIRST QUARTER, WE BELIEVE IT IS TOO EARLY IN THE YEAR TO MAKE SUCH JUDGMENTS.

4. ADDITIONAL FINANCING AVAILABLE FOR AGRICULTURAL PROGRAMS. MINISTER OF AGRICULTURE, DR GUSTAVO PINTO COHEN, HAS ANNOUNCED THE GOVERNMENT WILL PROVIDE BS 4,000 MILLION TO FINANCE AGRICULTURE IN 1978. FUNDS WILL BE LIMITED OFFICIAL USE

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USED PRIMARILY, FOR PROGRAMS OF THE NATIONAL GRARIAN INSTITUTE, THE AGRICULTURAL DEVELOPMENT BANK, THE AGRICULTURAL CREDIT INSTITUTE AND THE FUND FOR AGRICULTURAL DEVELOPMENT. THE AMOUNT IS DOUBLE THAT MADE AVAILABLE THROUGH THE GOVERNMENT LENDING AGENCIES IN 1977.

5. PRESIDENT PEREX STATED ON JANUARY 1, 1978 THAT IN ADDITION TO THE BS 4,000 MILLION MADE AVAILABLE THROUGH THE PUBLIC SECTOR, PRIVATE BANKS IN 1978 WOULD PROVIDE BS 11,000 MILLION FOR AGRICULTURAL DEVELOPMENT, THIS IS BASED ON THE REQUIREMENT THAT 20 PERCENT OF COMMERCIAL BANK LOANS MUST BE FOR AGRICULTURAL PURPOSES. TOTAL CREDIT FOR AGRICULTURAL DEVELOPMENT IN 1978 IS PROJECTED AT BS 15,000 MILLION, ABOUT 50 PERCENT MORE THAN WAS AVAILABLE IN 1977.

6. NIEHOUS KIDNAPPING - REPORTS THAT NIEHOUS IS DEAD AND BURIED IN OHIO ARE DENIED BY MRS NIEHOUS AND THE GOV. AN ATTORNEY FOR FORTUNATO HERRERA, ONE OF THE DEPUTIES ACCUSED OF COMPLICITY IN THE NIEHOUS KIDNAPPING (SEE 77 CARACAS 12241) TOLD TELEVISION NEWSMEN ON JANUARY 11 THAT WILLIAM NIEHOUS HAD DIED OF A HEART ATTACK 5 MONTHS AGO IN MARACAIBO. HE ADDED THE NIEHOUS' CAPTORS

GAVE THE BODY TO THE GOV AND THE NIEHOUS FAMILY AND THAT  
SUBSEQUENTLY THE REMAINS WERE SENT TO OHIO FOR BURIAL.  
THE ATTORNEY SAID THAT THE HAD RECEIVED THE INFORMATION  
FROM HIGH POLITICAL SOURCES. NIEHOUS' WIFE AND MOTHER  
DENIED THE STORY AS DID OWNES-ILLINOIS. INTERIOR MINISTER  
LEPAGE, WHO IS RESPONSIBLE FOR INVESTIGATION OF THE  
KIDNAPPING, LABELED THE STATEMENT AS "ABSOLUTELY UNFOUNDED."  
HE TOLD REPORTERS THAT THE GOV DID NOT KNOW WHETHER NIEHOUS  
WAS ALIVE OR DEAD BUT THAT HE FELT IT VERY PROBABLE THAT  
THE BUSINESSMAN HAD BEEN KILLED BY HIS ABDUCTORS SINCE  
ALMOST 2 YEARS HAD PASSES SINCE THE KIDNAPPING. HE ADDED,  
HOWEVER, THAT THE GOV INVESTIGATION OF THE CASE  
WOULD CONTINUE UNTIL ITS RESOLUTION.

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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OES-07 TRSE-00 MCT-01 /095 W  
-----009219 132031Z /53

R 131826Z JAN 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 714  
INFO AMEMBASSY BOGOTA  
USCINCLANT NORFOLK VA  
USCINCSO QUARRY HEIGHTS

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7. THREE NEW STATE GOVERNORS APPOINTED.  
PRESIDENT PEREZ SWORE IN FRANCISCO ITURRIZA, JOSE ANGEL  
HERNANDES AND MANUEL GARCIA BARRETO AS THE GOVERNORS OF  
THE STATES OF COJEDES, GUARICO AND MONAGAS, RESPECTIVELY,  
ON JANUARY 11. (BIOGRAPHIC INFORMATION TO FOLLOW).  
THE NEW GOVERNORS TOLD NEWSMEN THAT THEIR TASK WOULD BE  
TO CONTINUE THE DEVELOPMENT PROJECTS INITIATED BY THE  
PEREZ ADMINISTRATION.

8. COMMENT: THE POSITION OF GOVERNOR IN VENEZUELA IS  
A SINECURE. IN THE PAST FEW MONTHS SEVERAL STATE GOVERNORS,  
INCLUDING THE PREVIOUS GOVERNORS OF COJEDES AND GUARICO,

HAVE RESIGNED THEIR POSITIONS TO WORK ON THE AD PRESIDENTIAL CAMPAIGN. THESE MEN, CONSCIOUS OF THEIR FUTURES, DO NOT WANT TO BE TOO CLOSELY IDENTIFIED WITH THE LAME DUCK PEREZ ADMINISTRATION AND ARE DEMONSTRATING THAT THEIR MAIN LOYALTY LIES WITH THE AD PARTY OR ITS CANDIDATE LUIS PINERUA ORDAZ.

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9. NEW PRESIDENT NAMED TO VENEZUELAN DEVELOPMENT CORPORATION. JOHN P. PHELPS, JR., A PROMINENT VENEZUELAN BUSINESSMAN, HAS BEEN NAMED HEAD OF THE VENEZUELAN DEVELOPMENT CORPORATION (CVF). APART FROM HIS BUSINESS INTERESTS, HE HAS BEEN DIRECTOR OF THE CENTRAL BANK AND A VICE PRESIDENT OF THE VENEZUELAN CHAMBER OF COMMERCE, AMONG OTHER IMPORTANT POSTS. HIS NAMING TO THE PRESIDENCY OF THE TROUBLE-PLAGUED CVF IS CONSIDERED A POSITIVE DEVELOPMENT DUE TO HIS BUSINESS EXPERTISE AND PREVIOUS GOVERNMENT EXPERIENCE.

10. OTHER REPORTING THIS WEEK INCLUDED OIL COMPANY PROBLEMS: MEETING WITH MINISTER OF FINANCE (CARACAS 208), VENEZUELA'S IAEA NPT SAFEGUARDS AGREEMENT AND REQUEST FOR NUCLEAR MATERIAL (CARACAS 209), REQUEST FOR REGULATIONS POLLUTION CONTROL ON SHIPS (CARACAS 234), CIVIL AIR: NAVIGATION USER CHARGES (CARACAS 133), GOV VEHICLE IMPORT RESTRICTIONS: POTENTIAL IMPLICATIONS FOR THE ECONOMY (CARACAS 160), ALUMINUM INDUSTRY OUTLOOK REPORT: VENEZUELA (CARACAS A01) WORKING GROUP MEETING ON ILLICIT PAYMENTS (CARACAS 267), TRAVEL OF VENEZUELAN INSTITUTE OF HIGHER NATIONAL DEFENSE STUDIES (CARACAS 334), ASSEMBLY INSULTS TO LOSE SPECIAL BENEFITS (CARACAS 329), FUTURE IMPLICATIONS OF CHARGES ON AMUAY REFINERY (CARACAS 333), PROPOSED RECIPROCAL EXEMPTION OF INTERNATIONAL AIRLINES (CARACAS 304), AND SENATOR BENTSEN'S MEETING WITH ICE REINALDO FIGUEROA (CARACAS 303).  
VAKY

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## Message Attributes

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EO Systematic Review  
20 Mar 2014  
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